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August 14, 2006

TO: Each Supervisor

FROM: Bryce Yokomizo, Director

**SUBJECT: BOARD OF SUPERVISORS: MOTION (SYN 73-B JULY 5, 2006) TO
WORK WITH CHILD CARE ALLIANCE AND CDE ON ALTERNATIVES
TO ADDRESSING FRAUD IN STAGE 2 AND 3**

This is to provide a status report on your Board's July 5, 2006 instruction to the Department of Public Social Services (DPSS) to work in concert with the Child Care Alliance and the California Department of Education (CDE) on alternatives towards addressing the serious problem of fraud in Stage 2 and 3 Child Care Programs.

CDE contracts with the 13 Child Care Resource and Referral/Alternative Payment Program agencies in Los Angeles County to administer the CalWORKs Stage 2 and 3 Child Care Programs. There is currently no formal or coordinated mechanism for agencies to refer suspected child care fraud cases for review and action. For this reason, your Board supported a bill that would require CDE to implement a two-year pilot project in Los Angeles County to identify, investigate and prosecute child care fraud in Stages 2 and 3. However, that Legislation was suspended in the Senate Appropriations Committee on May 25, 2006.

As a result, the Child Care Alliance contacted Michael Jett, Director of the Child Development Division, to approach the Stage 2 and 3 fraud concerns. CDE indicated their willingness to explore with us options for developing a system to address the need for fraud investigations in the Stage 2 and 3 Child Care Programs. They were particularly interested in hearing about the fraud investigative system for the Stage 1 Child Care Program that is currently in place in Los Angeles County.

DPSS and the Child Care Alliance of Los Angeles plan to meet with CDE on August 28, 2006 to pursue discussion of the administrative possibilities for a fraud investigative process in the Stage 2 and 3 programs. CDE has reiterated that although they are open to discussion, current statute does not provide them with criminal prosecution authority even to contract out the function for fraud prosecutions.

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They stated that in response to the Error Rate Study, the Department of Finance had recommended allocation of \$1 million during the FY 2004/05 budget process for CDE to use to contract with one or more SIUs to conduct fraud investigations for Stage 2 and 3 child care cases. This funding recommendation never made it through the Legislature.

We are hopeful that our collaborative efforts with the Child Care Alliance and CDE will result in the development of a proposed plan. We will provide your Board with a progress report in November 2006.

BY:sal

c: Chief Administrative Officer
County Counsel
Executive Officer, Board of Supervisors
Child Care Alliance of Los Angeles